

**ONE HUNDREDTH LEGISLATURE - SECOND SESSION -  
2008**

**COMMITTEE STATEMENT**

**LB988**

---

**Hearing Date:** February 11, 2008

**Committee On:** Education

**Introducer(s):** (Raikes)

**Title:** Change the Tax Equity and Educational Opportunities Support Act

---

**Roll Call Vote - Final Committee Action:**

Placed on General File with Amendments

---

**Vote Results:**

8 Yes                      Senators Adams, Ashford, Avery, Burling, Howard,  
Johnson, Kopplin, Raikes

0 No

0 Absent

0 Present, not voting

---

**Proponents:**  
Senator Ron Raikes  
Tim Kemper

**Representing:**  
Introducer  
Lincoln Public Schools

**Opponents:**  
Brian Bennett

**Representing:**  
Lexington Public Schools

**Neutral:**  
Roger Breed  
John Lindsay

**Representing:**  
Elkhorn Public Schools  
Omaha Public Schools

---

**Summary of purpose and/or change:**

Legislative Bill 988 would change the structure of formula needs for school districts, transition from an elementary class size allowance to an elementary class size requirement, base school district budget authority on the new needs calculation, and replace adjusted valuations with assessed valuations for the calculation of resources.

The new needs calculation would compare school districts of similar size to arrive at a basic funding level. In addition, consideration would be given for remote elementary sites, elementary class sizes, poverty, limited English proficiency, focus schools and programs, state receipts, transportation, distance education and telecommunications, teacher education levels, new school buildings, student growth, instructional time, summer school, new learning community transportation increases, size ranges with below average costs, and cost sharing between the state and the school district for school districts with less than 390 students which are not in sparsely populated areas.

Along with other modifications to current allowances, a new provision requiring students in grades K-3 to be in classrooms of 20 or fewer students would be coupled with a phase out of the elementary class size allowance.

The new budget authority would be based on 120% of the needs calculation, with special education excluded from both the calculation of the maximum budget and the expenditures to be limited. The exceptions to the new maximum budget would be more limited. A three year transition is included in the proposal.

The final aspect of the proposal is the replacement of adjusted valuations with assessed valuations for the calculation of state aid for both school districts and educational service units. The local effort rates would also be increased in response to the valuation changes.

**Formula Needs**

A new section would provide for the calculation of formula need beginning in 2009-10. Each district's formula need would equal:

- Basic funding
- + Elementary site allowance
- + Elementary class size allowance
- + Poverty allowance

- + Limited English proficiency allowance
- + Focus school and program allowance
- + Special receipts allowance
- + Transportation allowance
- + Distance education and telecommunications allowance
- + Averaging adjustment
- + Teacher education adjustment
- + Student growth adjustment
- + New school adjustment
- + New learning community transportation adjustment
- Limited English proficiency allowance correction
- Poverty allowance correction
- Local choice adjustment.

Beginning with 2013-14, the elementary class size allowance would not be included.

The student growth adjustment would not be included in the final calculation of aid when the average daily membership for the aid year replaces fall membership for the prior year.

Section 79-1073 would be amended by cross-referencing the new formula needs for the distribution of learning community common general fund levies.

### **Adjusted Formula Students**

A new section would provide for adjusted formula students for the new method of calculating state aid. The adjusted formula students would equal:

$$[\text{formula students} \times \text{instructional time factor}] + [\text{summer school component}]$$

The instructional time factor would equal:

$$[\text{district's ave. hours of instruction} / \text{comparison group's ave. hours of instruction}]$$

The average hours of instruction would be measured for each full-time student during the regular school year as reported on a form developed by the Department. The comparison group average would be the average of the averages.

The summer school component would equal:

$$[0.025 \times \text{summer school units}]$$

The definition of formula students in § 79-1003 would be amended by reducing the formula students by 0.5 for each student enrolled in less than full-day kindergarten.

The current determination of adjusted formula students pursuant to § 79-1007.03 would be limited to 2008-09.

With changes to § 79-1022, the distribution of state aid distributed to districts within a learning community would be divided based on adjusted formula students.

### **Summer School Component**

The calculation of summer school student unit in § 79-1003.01 would be clarified. Summer school student units would be calculated for each summer school student who attends for at least 12 days. The initial number of units would equal the sum of the following ratios each rounded down to the nearest whole number:

$$(\text{Days student attended for at least 3 hours and less than 6 hours}) / (12 \text{ days})$$

$$(2 \times \text{Days student attended for at least 6 hours}) / (12 \text{ days})$$

Districts would continue to receive additional units for units attributed to remedial math or reading programs and units attributed to free lunch and free milk students.

### **General Fund Operating Expenditures**

The definition of general fund operating expenditures (GFOE) in § 79-1003 would be amended to include summer school expenditures and to exclude transfers from the general fund to any bond fund or special building fund and funding from certain outside sources that are not included as accountable receipts in the formula. The new receipts to be excluded are receipts from: early childhood education tuition, summer school tuition, converted contracts, educational entities for providing distance education courses, private foundations, individuals, associations, charitable organizations, textbook loan program, impact aid, and special grant funds.

Section 79-1018.01 would be amended by clarifying that receipts derived from summer school and early childhood education tuition are not accountable receipts. Obsolete language is also deleted.

### **Cost Growth Factor**

Section 79-1007.10 would be amended to implement a new cost growth factor. The new factor would grow expenditures by 1% plus the basic allowable growth rate for the school fiscal year in which aid will be distributed and for the preceding school fiscal year. With the current basic allowable growth rate the cost growth factor would equal 1.06 (1% + 2.5% + 2.5%). The current cost growth factor is 1.07.

### **Adjusted General Fund Operating Expenditures (AGFOE)**

The AGFOE definition in § 79-1003 would be amended to include the new elementary site allowance in the allowances to be subtracted from the general fund operating expenditures (GFOE) to arrive at the AGFOE. Beginning in 2013-14, the elementary class size allowance would no longer be subtracted. The definition would also recognize the removal of cost groupings from the calculation of the cost growth factor.

## **Basic Funding**

Basic funding would replace cost grouping costs per student beginning in 2009-10 as provided for in a new section. Comparison groups would replace costs groups. A comparison group would be established for each district, which would consist of that district, the next 5 larger districts as measured by formula students, and the next 5 smaller districts. If there are not 5 districts that are larger or smaller, the comparison group would consist of only as many districts as fit the criteria. If more than one district is exactly the same size as the largest or smallest in the comparison group, all such districts would be included. If one or more districts have exactly the same number of formula students as the district for which basic funding is being calculated, all such districts would be included in addition to the 5 larger and 5 smaller districts.

For districts with at least 900 formula students, basic funding would equal the adjusted formula students multiplied by the average AGFOE per adjusted formula student for the comparison group, excluding both the districts with the highest and lowest AGFOE per adjusted formula student.

For districts with fewer than 900 formula students, basic funding would equal the average AGFOE for each district in the comparison group, excluding both the districts with the highest and lowest AGFOE, multiplied by the ratio of the adjusted formula students for the district divided by the formula students for the district.

Section 79-1008.01 would be amended by recognizing the new sections in the determination of formula need and by limiting the small school hold harmless to school fiscal years prior to 2009-10.

The determination of cost groupings and formula need in § 79-1007.02 would be limited to school fiscal years prior to 2009-10.

The definitions for sparse local systems and very sparse local systems would be moved to § 79-1003 without any substantive changes.

## **Elementary Site Allowance**

A new section would provide an elementary site allowance if a district:

- Has more than one elementary building;
- At least one elementary building does not offer any other grades;
- There is at least 100 square miles per elementary building in the district; and
- There are an average of 15 or fewer students per grade per building.

The elementary site allowance for the district would equal the sum of the allowances for buildings with only elementary grades and an average of 15 or fewer students per grade, except the primary elementary site. The primary elementary site would be the building to which the most elementary students are attributed.

The allowance for each building would equal:

{500% of the statewide average GFOE per adjusted formula student} X  
{[(Formula students from the building / 8) rounded up to the next whole number] or [the number of grades offered in the building] whichever is lower}

Each district would determine which grades are considered elementary, except all such grades need to be offered in each building offering kindergarten and grades 9-12 cannot be considered elementary grades.

The AGFOE definition in § 79-1003 would recognize the elementary site allowance beginning with 2009-10.

### **Elementary Class Size**

A new section would require students in grades K-3 to spend at least 50% of their school day in one or more classrooms with 20 or fewer students beginning with the 2013-14 school year. Up to 10 days each school year could be designated for any student or group of students as special activity days where the requirement would not apply. Districts could also apply to the State Board of Education for a hardship waiver for a specified period of time if circumstances exist that would cause a substantial hardship for the district to meet the requirements.

Section 79-1007.04 would be amended by limiting the elementary class size allowance to school fiscal years 2008-09 to 2012-13. For 2008-09, the allowance calculation would be modified by basing the allowance on students in grades K-8 who qualify for free or reduced-price lunches and who spend at least 50% of the school day in one or more classrooms with a minimum of 10 students and a maximum of 20 students. Any changes in the allowances would occur in the recalculation pursuant to § 79-1065.

The calculation for the remaining years would be based on the statewide average GFOE per adjusted formula student and the number of students in grades K-3, regardless of poverty status, who spend at least 50% of the school day in one or more classrooms with a minimum of 10 students and a maximum of 20 students.

The definition of AGFOE in § 79-1003 would be amended to recognize the removal of the elementary class size allowance beginning with 2013-14.

### **Poverty Allowance**

The definition of poverty students in § 79-1003 would be amended to include an additional number of students equal to the number of low-income students or students who are free lunch and free milk students, whichever is greater, minus the average number of poverty student for the aid calculated for the three immediately preceding school fiscal years. If the calculation produces a negative result, no poverty students would be added or subtracted.

Section 79-1007.06 would be amended by increasing the maximum poverty allowance from 61% to 75% of the amount calculated based on the prior weighting system.

Section 79-1007.07 would be amended by requiring the reporting of expenditures and sources of funding for support costs directly attributable to implementing the district's poverty plan and by allowing such expenditures to be included in poverty allowance expenditures. Poverty allowance expenditures would also be limited to those expenditures not included in other allowances and that are paid for with non-categorical funds generated by state or local taxes.

Section 79-1013 would be amended by changing the transportation and class size requirements for poverty plans. Poverty plans are currently required to provide transportation to students receiving free or reduced-price lunches if such students reside more than ½ mile from the school. The requirement would be changed to affect only such students residing more than 1 mile from the school. The requirement to include a plan for class size reduction or maintenance of small class sizes currently applies for students who qualify for free or reduced price lunches. The modified requirement would be limited to elementary grades without regard to the poverty status of the students.

Sections 79-1007.06 and 79-1013 would be amended by moving the deadline for submitting a maximum poverty allowance and a poverty plan up to October 10 from November 1.

### **Limited English Proficiency (LEP) Allowance**

The definition of poverty students in § 79-1003 would be amended to include an additional number of students equal to the number of students with limited English proficiency minus the average number of students with limited English proficiency for the aid calculated for the three immediately preceding school fiscal years. If the calculation produces a negative result, no LEP students would be added or subtracted.

Section 79-79-1007.09 would be amended by requiring the reporting of expenditures and sources of funding for support costs directly attributable to implementing the district's LEP plan and by allowing such expenditures to be included in LEP allowance expenditures. Limited English proficiency allowance expenditures would also be limited to those expenditures not included in other allowances and that are paid for with non-categorical funds generated by state or local taxes.

Section 79-1014 would be amended by requiring LEP plans for school districts that are members of learning communities to be submitted to the learning community coordinating council. The council would then be required to certify the approval or disapproval of the plan to the Department on or before December 5<sup>th</sup>.

Sections 79-1007.08 and 79-1014 would be amended by moving the deadline for submitting a maximum LEP allowance and an LEP plan up to October 10 from November 1.

### **Current Allowances moved from Definition Section**

The distance education and telecommunications, special receipts allowance, and transportation allowances are removed from the definitions in § 79-1003 and each placed in their own new section without any substantive changes.

### **Averaging Adjustment**

A new section would provide an averaging adjustment for districts whose basic funding per adjusted formula student is less than the statewide average basic funding per adjusted formula student. The adjustment would equal:

$$\{50\% [\text{statewide average basic funding per adjusted formula student} - \text{basic funding per adjusted formula student for the district}]\} \\ \times \{\text{adjusted formula students for the district}\}$$

### **Teacher Education Adjustment**

A new section would provide for the calculation of a teacher education adjustment. Teacher education points would be calculated with one point for each FTE teacher who has been awarded a master's degree or the equivalent and one additional point for each FTE teacher who has been awarded a doctoral degree. A teacher education index would be calculated for each district equal to:

$$\frac{[\text{teacher education points for the district} / \text{FTE teachers in the district}]}{[\text{teacher education points for the state} / \text{FTE teachers in the state}]}$$

The adjustment would equal:

$$13.75\% [\text{the district's basic funding} \times (\text{district's teacher education index} - 1)]$$

If the result is negative, the teacher education adjustment would equal 0.

Teacher would be defined in § 79-1003 as having the definition in § 79-101.

### **Student Growth Adjustment**

A student growth adjustment would be calculated upon request pursuant to a new section. School districts could apply for the adjustment on or before October 10 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated. The form would require an estimate of the average daily membership for the school fiscal year for which aid is being calculated, the estimated student growth based on the current fall membership and the estimated average daily membership, and evidence supporting the estimated student growth.

At the November board meeting, the State Board of Education would approve, modify, or deny the application. The Department would notify each school district of the action taken within 5 days. School districts could then appeal denials and modifications at the December board meeting if notice is given within 10 days following the November meeting. The appeal would include a public hearing.

The adjustment would equal:

[District's basic funding per adjusted formula student] X  
[approved student growth – (greater of 25 students or 1% of fall membership)]

The adjustment would be included in the initial certification of aid, but not in the final calculation pursuant to § 79-1065.

The definition of formula students in § 79-1003 would be amended for the final calculation of aid to exclude districts that receive a student growth adjustment from using average daily membership from the prior year. For school districts that receive a student growth adjustment, the final formula students would be determined one year later, so that the final formula students would equal the average daily membership for the year in which aid was paid minus the greater of 25 students or 1% of the fall membership used in the initial certification of aid.

Section 79-1065 would be amended to require that the final determination of formula students for districts that do not receive a student growth adjustment be completed prior to the certification of aid for the following school year. The final determination for districts receiving a student growth adjustment would occur a year later.

### **New School Adjustment**

A new section would allow school districts to apply for a 2 year new school adjustment on or before October 10 preceding the first school fiscal year for the adjustment. The form would require evidence of recent and expected student growth, evidence that the new building was constructed in response to such growth and not as a replacement, evidence of the estimated student capacity of the new building, and evidence that the first-year adjustment would be received in the first full school fiscal year in which students would be attending the building.

At the November meeting, the State Board would approve, modify, or deny the application. The Department would notify each district of the action taken within 5 days following the November meeting. Districts may appeal denials and modifications at the December meeting if notice is given within 10 days following the November meeting. The appeal would include a public hearing.

The first year adjustment would equal:

[school district's basic funding per adjusted formula student]  
X [20% of the approved estimated student capacity]

The second year adjustment would equal

[school district's basic funding per adjusted formula student]  
X [10% of the approved estimated student capacity]

### **New Learning Community Transportation Adjustment**

A new section would allow member school districts of new learning communities to apply for a new learning community transportation allowance on or before October 10 preceding each of the first two full school fiscal years of a new learning community. The form would require evidence supporting estimates of increased transportation costs due to § 79-611(2).

At the November meeting, the State Board would approve, modify, or deny the application. The Department would notify each district of the action taken within 5 days following the November meeting. Districts may appeal denials and modifications at the December meeting if notice is given within 10 days following the November meeting. The appeal would include a public hearing.

The adjustment would equal the approved estimate of increased transportation costs. School districts would submit evidence of the actual increase in transportation costs due to § 79-611(2) and the department would recalculate the adjustment using such actual costs pursuant to § 79-1065.

### **Local Choice Adjustment**

A new section would provide for a local choice adjustment to be calculated if a district:

- Has fewer than 390 formula students;
- Is not in a sparse local system or a very sparse local system; and
- Did not receive federal funds in excess of 25% of its general fund budget

The adjustment would equal:

$$\{50\% [\text{basic funding per adjusted formula student for the district} - \text{basic funding per adjusted formula student for district closest to 390 students}]\} \\ \times \{\text{formula students for the district}\}$$

The adjustment would be zero if the basic funding per adjusted formula student for the district is less than for the district closest to 390 formula students. If more than one district has the closest to 390 formula students, basic funding per adjusted formula student for each such district would be averaged. The closest to 390 formula students would be measured using the absolute value of 390 minus the formula students, with the difference rounded to the nearest whole number.

### **Net Option Funding**

Section 79-233 would be amended to clarify that option students who reside in a learning community and who have chosen to attend an option school district in the learning community prior to the establishment of the learning community, continue to be option students.

Section 79-1009 would be restructured and amended by providing that the net option students would be multiplied by the statewide average basic funding per adjusted formula student to determine net option funding beginning in 2009-10.

## **Replace Adjusted Valuations with Assessed Valuations**

Assessed valuations would replace adjusted valuations beginning with the calculation of aid for the 2009-10 school fiscal year.

Section 79-1015.01 would be amended by increasing the local effort rate by 5 cents for the certification of aid. For the final calculation of aid, adjusted valuations are replaced by assessed valuations for the determination of the local effort rate. Assessed valuations also replace adjusted valuations for the determination of the local effort rate yield. The changes would also clarify that the maximum levy used to determine the local effort rate is the maximum levy for school districts pursuant to § 77-3442(a).

Section 79-1016 is amended to require the certification of assessed valuations, instead of adjusted valuations, by the Property Tax Administrator. Section 77-1327 would be amended by eliminating the duty of the Property Tax Administrator to use assessment ratio studies in establishing adjusted valuations.

Section 79-1008.01 would be amended by replacing adjusted valuations with assessed valuations in the hold harmless and “lop-off” calculations. Section 79-1008.02 would be amended to use assessed valuation in the minimum levy calculation. Section 79-1065.02 would be amended by replacing adjusted value with assessed value in the calculation of the state aid transfer for districts affected by annexations.

Section 79-1010 would be amended by replacing adjusted valuations with assessed valuations in determining responsibility for paying back incentives when a district withdraws or the unification is discontinued. 79-4,108 is amended by replacing adjusted valuations with assessed valuations in determining the payment of obligations of a unified system when a district withdraws or the unification is discontinued.

Section 77-3442 would be amended by rewording the maximum levy for the general fund common levy for learning communities. The current maximum levy is equal to the local effort rate. The new language would specify that the maximum levy is equal to \$0.95. With the current local effort rate provisions and a levy limit of \$1.05, the local effort rate and the maximum levy would equal \$0.95. However, with proposed changes, the local effort rate would become \$1.00.

Section 79-1241.03 would be amended to reflect the change to assessed valuations in the calculation of aid for educational service units (ESU's) and to increase the local effort rate from \$0.0135 to \$0.01425.

### **Minimum Levy**

Section 79-1008.02 would be amended by increasing the difference between the maximum common levy for learning communities and the levy that will trigger a minimum levy adjustment from 2 cents to 5 cents.

## **Budget Limits**

Section 79-1023 would be amended to implement a new method of determining budget limitations and to provide for a transition beginning with the 2009-10 school fiscal year. The new method would limit general fund budgets, with the special education budget subtracted out, to 120% of the formula needs minus the prior year's special education budget increased by the basic allowable growth rate.

For 2009-10, school districts would be limited to the greater of the prior year's general fund budget minus the special education budget as increased by the applicable allowable growth rate or the maximum budget under the new method.

For 2010-11, school districts would be limited to the greater of the prior year's general fund budget minus the special education budget as increased by the basic allowable growth rate or the maximum budget under the new method.

For 2011-12, school districts would be limited to the greater of the prior year's general fund budget minus the special education budget or the maximum budget under the new method.

For 2012-13 and each school fiscal year thereafter, the new limits would apply.

Section 79-1025 would be amended by limiting the allowable growth range to school fiscal years prior to 2009-10.

Section 79-1026.01 would be amended by limiting the determination of the applicable allowable growth rate to 2008-09.

Section 79-1028 would be amended to limit the exceptions to the allowable growth rate to school fiscal years prior to 2009-10 and by eliminating obsolete language and language that will not take effect until 2009-10.

A new section would provide exceptions to the new budget limitations. The exceptions would be for specific dollar amounts approved by the State Board of Education for:

- Repairs to infrastructure damaged by a natural disaster;

- Judgments, except judgments or orders from the Commission of Industrial Relations;

- Retirement Incentive Plan or the Staff Development Assistance;

- Reorganization incentive payments or base fiscal year incentive payments; and

- Amounts received for providing distance education courses.

Budget exceptions would be eliminated for interlocal agreements, voluntary termination agreements, or lease purchase contracts approved before July 1, 1998. Due to inclusion in the needs calculation, there would also no longer be budget exceptions for projected increases in formula students, operation expenses for new or expanded buildings, the first time inclusion of early childhood education students in the formula, increases in allowances, and transportation for new learning community members.

Section 79-1029 would be amended to limit the 1% exception to school fiscal years prior to 2009-10. The voting procedures for exceeding the budget limit would be revised to reflect the new method of determining budget limits.

Section 79-1030 would be amended to limit unused budget authority to school fiscal years prior to 2009-10 and to provide a transition. The transition would allow district to increase their budgets each year for 2009-10, 2010-11, and 2011-12 by an amount up to 5% of the district's formula need, except that the increases over the three year period would not be allowed to exceed the amount of unused budget authority remaining following the 2008-09 school fiscal year.

Section 79-1083.03 would be amended by limiting the separate provisions for determining budget authority for Class I school districts to school fiscal years prior to 2009-10 and by eliminating obsolete language.

### **Unified Systems**

Sections 79-4,108 and the definition of "local systems" in § 79-1003 would be amended to allow formula needs to be calculated for the individual districts in unified systems.

### **E.S.U. Funding**

Section 79-1241.03 would be amended to reflect the change to assessed valuations in the calculation of aid for educational service units (ESU's) and to increase the local effort rate from \$0.0135 to \$0.01425.

Section 79-1229 would be amended to require ESU's to submit annual financial reports.

### **Miscellaneous**

Section 79-1001 would be amended to include new sections in the Tax equity and Educational Opportunities Support Act.

The definition of local system in § 79-1003 would be amended to again recognize that local systems could contain Class I school districts.

The definitions of qualified early childhood education average daily membership and qualified early childhood education fall membership in § 79-1003 would be clarified by restructuring the definitions without any substantive changes.

Section 79-1022.02 would be outright repealed. The section required the recertification of aid for 2003-04.

Section 79-1031.01 would be amended to eliminate obsolete language.

**Explanation of amendments, if any:**

The committee amendments revise the original provisions of LB 988. With an emergency clause, the amendment would provide for a recertification of 2008-09 state aid and budget authority by April 30<sup>th</sup>. The recertification would implement most of the provisions of LB 988, with the provisions for which the department does not have accurate data being deferred until 2009-10. The changes in budget authority would be simplified, unused budget authority would be restored, and the alternative methods would be continued indefinitely.

The student weightings for summer school and instructional time would be converted to allowances. The elementary class size allowance would have a 20% multiplier added to match the current provisions, and the elementary site allowance would be revised beginning in 2009-10 after the initial implementation in 2008-09. The early childhood education counts would have a 60% multiplier added to also match the current provisions. The student growth adjustment would be revised and the correction for over or underestimating student growth would be restructured.

Proceeds from levy override elections would be eliminated from GFOE beginning in 2010-11. The averaging adjustment would be limited to districts that levy over \$1.00, but could provide an adjustment as high as 90% of the difference between the average and the district's basic funding per student, depending on the levy. A new stabilization would adjust formula needs to between 100% and 112% of the prior year formula needs, except that growing districts would be allowed to exceed the 112% limit. "Lop-off" would be eliminated. The new school adjustment would be revised to include expansion and remodeling projects that increase capacity.

**Recertification**

Instead of being outright repealed, § 79-1022.02 would be amended to declare the current certification of state aid and applicable allowable growth rates to be null and void and to require a recertification on or before April 30, 2008. In § 79-1031.01, the Appropriations Committee would be required to include the amount necessary to fund the state aid certified in the recertification in its recommendations to the Legislature.

In § 79-1003, the definition of adjusted general fund operating expenditures would be amended by subtracting the elementary site allowance and summer school allowance beginning in 2008-09 from the general fund operating expenditures to arrive at the adjusted general fund operating expenditures. The changes to the definitions of formula students and general fund operating expenditures would also be moved up to 2008-09.

In § 79-1007.02, the current method of calculating need would be limited to 2007-08, instead of 2008-09. In section 10 of the bill, the new method of calculating need would be moved up to 2008-09. The summer school allowance would be added to the proposed initial calculation under the new method. The instructional time allowance, new learning community transportation adjustment, student growth adjustment, and new school adjustment would be delayed until 2009-10. The student growth adjustment correction would be included beginning with 2011-12. The removal of the elementary class size allowance in 2013-14 would be continued.

In § 79-1007.06, the increase from 61% to 75% for the calculation of the maximum poverty allowance for each district would begin for the recertification of 2008-09 state aid. The calculation of the amount would be restructured without any further substantive change. The change in the counts for poverty and LEP students would be delayed until 2009-10. In §§ 79-1007.10 and 79-1009, the changes in the cost growth factor and net option funding calculations would be moved up to 2008-09. In § 79-1008.01, the provision commonly referred to as “lop-off” would be eliminated for aid calculated for 2008-09 and each year thereafter. In sections 15, 16, 17, and 18 of the bill, implementation of basic funding, the local choice adjustment, the averaging adjustment, and the teacher education adjustment would be moved up to 2008-09. The change from adjusted to assessed valuation and the corresponding change in the local effort rate would take place beginning with 2008-09 as reflected in further modifications to §§ 79-1008.02 and 79-1015.01.

### Summer School and Instructional Time Allowances

The provisions for adjusted formula students in section 23 of the bill would be converted into the summer school and instructional time allowances. The summer school allowance would be included in § 79-1003.01. Section 23 would be converted into the instructional time allowance. References to “adjusted formula students” throughout the new provisions would become references to “formula students.”

Section 79-1003.01 would be further amended to provide for the calculation of summer school allowances, beginning with 2008-09, equal to 2.5% of the summer school units multiplied by 85% of the statewide average general fund operating expenditures per formula student. Amendments would also exclude school districts from the summer school allowance calculation if the district collects fees for summer school from students who qualify for free or reduced-price lunches. Currently, summer school programs are excluded if fees are collected from such students. The section number would be struck to allow for renumbering.

In § 79-1003, the definition of adjusted general fund operating expenditures would be amended by adding the summer school and instructional time allowances to the allowances subtracted from the general fund operating expenditures to arrive at the adjusted general fund operating expenditures. The summer school allowance would be subtracted beginning with 2008-09 aid and the instructional time allowance beginning with 2009-10 aid.

Section 23 of the bill would be amended by replacing the provisions for the new version of adjusted formula students with provisions for an instructional time allowance. The instructional time allowance for each district would equal the product of the formula students multiplied by the instructional time factor for the district multiplied by eighty five percent of the statewide average general fund operating expenditures per formula student. The calculation of the instructional time factor would equal the difference of the ratio of the district’s average hour of instruction per student divided by the comparison group average minus 1, except that the factor would not be allowed to be negative.

### Elementary Class Size

The major elementary class size allowance changes in § 79-1007.04 would continue to be deferred until 2009-10 with the addition of a 20% multiplier to match the current provisions. For 2008-09, the change in the classroom language would be deleted and the allowance would continue to be based on the information reported on the fall membership report when aid for 2008-09 is recalculated. The new elementary class size requirement would be limited to public schools.

### Elementary Site Allowance

Section 14 of the bill would be amended by applying the elementary site allowance beginning with the calculation of aid for 2008-09. However, the qualifications for the allowance would change for 2009-10 and each school fiscal year thereafter. The new qualifications would provide an allowance for elementary sites in school districts with multiple elementary sites for sites that were 7 miles from another site within the districts or that were the only public elementary in an incorporated city or village. There would not be an allowance for the primary elementary site in any district. The provisions would be restructured to accommodate the changes and other amendments would replace the term “building” with “elementary attendance site” throughout the section.

### Formula Students

In § 79-1003, the changes to the definition of formula student would become effective for 2008-09, instead of 2009-10. In the amended definition, 60% of the qualified early childhood education count would be used. Currently, early childhood education students are weighted at 0.6 in the grade weightings. The proposed definition would also be amended to harmonize with the addition of the student growth adjustment correction.

The provisions for adjusted formula students in section 23 of the bill would be converted into the summer school and instructional time allowances. The summer school allowance would be included in § 79-1003.01. Section 23 would be converted into the instructional time allowance. Section 79-1007.03, which currently provides for adjusted students for 2008-09 and each school fiscal year thereafter, would be outright repealed.

### General Fund Operating Expenditures

In § 79-1003, the changes to the definition of general fund operating expenditures would become effective for 2008-09, instead of 2009-10. The proposed definition would also be amended by removing converted contracts and special grant funds from the items excluded from general fund operating expenditures. Beginning with 2010-11, the proceeds from levy override elections would also be excluded from general fund operating expenditures.

### Comparison Groups

In section 14 of the bill, two references to the number of decimal places to be considered when determining if school districts have exactly the same number of formula students would be eliminated.

## Poverty Allowance

In § 79-1007.06, the increase from 61% to 75% for the calculation of the maximum poverty allowance for each district would begin for the recertification of 2008-09 state aid. The calculation of the amount would be restructured without any substantive change. The implementation of changes to the definition of poverty students would remain in 2009-10.

## Student Growth Adjustment

Section 19 of the original bill would be amended by counting 50% of the students below the qualifying threshold in the calculation of the adjustment. Currently only the estimated student growth above the greater of 25 students or 1% of the formula students are included in the calculation.

The amendments would also provide for a student growth adjustment correction, replacing the original proposal to correct for over and under estimation by changing the formula students in a second recalculation of aid. The correction would be calculated for districts that had a student growth adjustment in the most recently available complete data year. The correction would equal the district's basic funding per formula student multiplied by the difference of the average daily membership minus the approved student growth used to calculate the adjustment. A negative correction could not be greater than the original adjustment.

With changes to section 10 of the bill, the student growth adjustment correction would be included in the calculation of needs beginning in 2011-12.

Section 79-1065 would be removed from the measure, eliminating proposed changes to formula students in a second recalculation of aid to correct for over and under estimation with the student growth adjustment.

## New School Adjustment

The new school adjustment in section 20 of the bill would continue with a 2009-10 implementation. The adjustment would be expanded to include expansion and remodeling projects that provide additional student capacity to accommodate recent and expected student growth.

## New Learning Community Transportation Adjustment

The proposed new learning community transportation adjustment in section 21 of the bill would continue remain in the proposal unchanged with a 2009-10 implementation.

## Averaging Adjustment

A modified averaging adjustment in section 17 of the bill would be implemented for 2008-09. The original averaging adjustment would provide an adjustment equal to the district's students multiplied by 50% of the difference between the statewide average basic funding per formula student minus the district's basic funding per formula student. The modified proposal would

change the percentage by which the difference would be multiplied. The new percentage would be based on the general fund levy as follows:

1. Levy of at least \$1.00, but less than \$1.01, the percentage would be 50%;
2. Levy of at least \$1.01, but less than \$1.02, the percentage would be 60%;
3. Levy of at least \$1.02, but less than \$1.03, the percentage would be 70%;
4. Levy of at least \$1.03, but less than \$1.04, the percentage would be 80%; and
5. Levy of at least \$1.04, the percentage would be 90%.

### Stabilization and Lop-Off

A new provision would be added to the calculation of need which would require formula need that is less than 100% of the prior year formula need to be increased to such level and which would require formula need that is more than 112% of the prior year formula need to be decreased to such level, except that the formula need for districts receiving a student growth adjustment would not be adjusted down. The formula need would also not be adjusted down for districts whose formula students grew from 2007-08 to 2008-09 by the greater of 25 students or 1% of the 2007-008 formula students.

In § 79-1008.01, the current stabilization and small school stabilization provisions and the provision commonly referred to as “lop-off” would be eliminated. The “lop-off” provision does not allow equalization aid to be given in an amount exceeding the aid and taxes from the prior year grown by 1%, the applicable allowable growth rate, the growth in formula students, reductions in other actual receipts, and unused budget authority. The original bill would have eliminated the small school stabilization after 2008-09.

### Unified Systems

In § 79-4,108, additional language would specify that needs would be calculated separately for districts in unified systems beginning with aid for 2009-10.

### Budget Authority

Section 79-1023 would be further amended to move the changes in budget limitations forward to 2008-09, with a certification of such limits on April 30 for 2008. The changes would also be modified by allowing alternative calculations and by excluding special grant funds from the calculation. The maximum general fund budget, minus special grant funds and the special education budget, would be the greater of:

1. 120% of needs minus the product of the basic allowable growth rate times the prior year’s special education budget; or
2. The applicable allowable growth rate times the difference of the prior year’s general fund budget minus special grant funds and the special education budget.

The calculation of the applicable allowable growth rate pursuant to §§ 79-1025 and 79-1026.01 would continue and those sections would be removed from the bill. Unused budget authority would also be reinstated and § 79-1030 would be removed from the bill. The new budget

exceptions in section 44 of the bill would also replace the existing § 79-1028 budget exceptions in 2008-09. The elimination of the optional 1% in § 79-1029 would also occur for 2008-09. The provisions in § 79-1083.03 for Class I budget authority would be limited to school fiscal years prior to 2008-09.

### Converted Contracts

The provisions transitioning students from contracts based on annexation agreements to option students are obsolete and would be removed. In § 79-1003, the definitions for converted contracts, converted contract option students, and tuition receipts from converted contracts would be repealed and a reference to converted contracts in the new definition for general fund operating expenditures would be removed. References to converted contract option students would be removed from the net option funding provisions in § 79-1009. Section 79-1009.01, which provides for the Department of Education to determine the amount of such contracts to be excluded from formula resources, would be outright repealed. The exclusion of converted contract receipts from accountable receipts would be removed from § 79-1018.01.

### Harmonization

In § 79-1003, the definition of equalization aid would be amended to include the new provisions affecting the calculation of equalization aid.

### Emergency Clause

An emergency clause would be added to the measure.

---

Senator Ron Raikes, Chairperson